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EXTRAORDINARY

PART II—Section 2

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LOK SABHA

The following Bill was introduced in Lok Sabha on the 17th August, 1957:—

BILL No. 57 OF 1957

A Bill further to amend the Insurance Act, 1938.

BE it enacted by Parliament in the Eighth Year of the Republic of India as follows:—

1. (1) This Act may be called the Insurance (Amendment) Act, 1957. Short title and commencement.

5 (2) It shall come into force on the 1st day of September, 1957.

4 of 1938.

2. In section 2 of the Insurance Act, 1938 (hereinafter referred to as the principal Act), in clause (10), the words "being an individual" shall be omitted. Amendment of section 2.

3. In section 42 of the principal Act—

10 (i) for sub-section (1), the following sub-section shall be substituted, namely:— Amendment of section 42.

15 " (1) The Controller or an officer authorised by him in this behalf shall, in the prescribed manner and on payment of the prescribed fee which shall not be more than ten rupees, issue to any person making an application in the prescribed manner a licence to act as an insurance agent for the purpose of soliciting or procuring insurance business:

Provided that—

20 (a) in the case of an individual, he does not suffer from any of the disqualifications mentioned in sub-section (4), and

(b) in the case of a company or firm, any of its directors or partners does not suffer from any of the said disqualifications, and the company or firm was immediately before the 1st day of August, 1957, holding a certificate issued under section 42A entitling it to act as a principal agent for the purpose of procuring insurance business: 5

Provided further that in the case of a company or firm, the licence under this sub-section shall be issued only for the purpose of soliciting or procuring general insurance business.”; 10

(ii) in sub-section (3), for the words, letters, figure and brackets “if the applicant does not suffer from any of the disqualifications mentioned in items (b), (c) and (d) of sub-section (4)”, the following shall be substituted, namely:— 15

“if the applicant, being an individual does not, or being a company or firm any of its directors or partners does not, suffer from any of the disqualifications mentioned in clauses (b), (c) and (d) of sub-section (4)”;

(iii) for sub-section (5), the following sub-section shall be substituted, namely:— 20

“(5) If it be found that an insurance agent being an individual is, or being a company or firm contains a director or partner who is, suffering from any of the disqualifications mentioned in sub-section (4), then, without prejudice to any other penalty to which he may be liable, the Controller shall, and if the insurance agent has knowingly contravened any of the provisions of this Act may, cancel the licence issued to the agent under this section.”; 25

(iv) after sub-section (6), the following sub-sections shall be inserted, namely:— 30

“(7) Any person who acts as an insurance agent without holding a licence issued under this section to act as such shall be punishable with fine which may extend to fifty rupees, and any insurer or any person acting on behalf of an insurer, who appoints as an insurance agent any person not licensed to act as such or transacts any insurance business in India through any such person, shall be punishable with fine which may extend to one hundred rupees. 35

(8) Where the person contravening sub-section (7) is a company or a firm, then, without prejudice to any other proceedings which may be taken against the company or firm, every director, manager, secretary or other officer of 40

the company, and every partner of the firm who is knowingly a party to such contravention shall be punishable with fine which may extend to fifty rupees."

4. In section 43 of the principal Act, sub-sections (2) and (3) shall be omitted. Amendment of section 43.

5. For section 118 of the principal Act, the following section shall be substituted, namely:— Substitution of new section for section 118. Exemptions.

"118. Nothing in this Act shall apply—

(a) to any trade union registered under the Indian Trade Unions Act, 1926; or 10

(b) to any provident fund to which the provisions of the Provident Funds Act, 1925, apply; or 15

(c) if the Central Government so orders in any case, and to such extent or subject to such conditions or modifications as may be specified in the order, to any insurance business carried on by the Central Government or a State Government or a Government company as defined in section 617 of the Companies Act, 1956; or 20

(d) if the Controller so orders in any case, and to such extent or subject to such conditions or modifications as may be specified in the order, to— 25

(i) any approved superannuation fund as defined in clause (a) of section 58N of the Indian Income-tax Act, 1922; or 30

(ii) any fund in existence and officially recognised by the Central Government before the 27th day of January, 1937, maintained by or on behalf of Government servants or Government pensioners for the mutual benefit of contributors to the fund and of their dependants; or 35

(iii) any mutual or provident insurance society composed wholly of Government servants or of railway servants which has been exempted from any or all of the provisions of the Provident Insurance Societies Act, 1912." 40

5 of 1912.

STATEMENT OF OBJECTS AND REASONS

Under section 42B of the Insurance Act, 1938, no insurer can appoint or transact any insurance business in India through a principal agent after the 31st August, 1957. Individuals who have been working as Principal Agents hitherto can, however, continue in business as ordinary insurance agents. The general insurance industry has suggested that the knowledge and experience of the business acquired by the companies and firms who were working as Principal Agents should not be lost to it. It is, therefore, proposed that principal agents at present in business may, if they so desire, continue to play their part in the industry by acting as ordinary insurance agents. Clause 3 of the Bill seeks to amend the Insurance Act for the purpose.

Section 118 of the Insurance Act, which exempts certain categories of business from the provisions of the Act, does not cover the case of a business carried on by a Government company as defined in section 617 of the Companies Act, 1956. Clause 5 of the Bill seeks to amend section 118 in this behalf.

T. T. KRISHNAMACHARI.

NEW DELHI;
The 9th August, 1957.

M. N. KAUL,
Secretary.